

COLORADO FOURTEENERS INITIATIVE

Financial Statements As Of December 31, 2012
(With Summarized Financial Information For
The Year Ended December 31, 2011)

Together With Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Colorado Fourteeners Initiative:

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado Fourteeners Initiative ("CFI"), a not-for-profit organization, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The prior-year summarized comparative information has been derived from CFI's 2011 financial statements and, in our report dated April 18, 2012, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

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includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Fourteeners Initiative as of December 31, 2012 , and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

JDS Professional Group

April 22, 2013

COLORADO FOURTEENERS INITIATIVE

Statement Of Financial Position

As Of December 31, 2012

(With Summarized Financial Information As Of December 31, 2011)

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	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 225,169	\$ 238,646
Accounts receivable	12,948	37,422
Promises to give	115,744	110,533
Prepaid expenses	5,081	9,129
Total Current Assets	<u>358,942</u>	<u>395,730</u>
Long Term Assets		
Promises to give, net of current portion		50,000
Property and equipment, net	<u>81,669</u>	<u>78,582</u>
	<u>81,669</u>	<u>128,582</u>
TOTAL ASSETS	<u><u>\$ 440,611</u></u>	<u><u>\$ 524,312</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 4,816	\$ 685
Accrued liabilities	67,427	73,402
Deferred revenue	4,571	77,256
Total Current Liabilities	<u>76,814</u>	<u>151,343</u>
Net Assets:		
Unrestricted	37,783	102,899
Temporarily restricted	<u>326,014</u>	<u>270,070</u>
Total Net Assets	<u>363,797</u>	<u>372,969</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 440,611</u></u>	<u><u>\$ 524,312</u></u>

The accompanying notes are an integral part of the financial statements.

COLORADO FOURTEENERS INITIATIVE

Statement Of Activities

For The Year Ended December 31, 2012

(With Summarized Financial Information For The Year Ended December 31, 2011)

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Support And Revenue:				
Contributions	\$ 254,839	\$ 286,948	\$ 541,787	\$ 649,296
Government grants	277,258		277,258	203,250
Other income	10,284		10,284	1,478
	<u>542,381</u>	<u>286,948</u>	<u>829,329</u>	<u>854,024</u>
Net assets released from restrictions-				
Satisfaction of program restrictions	231,004	(231,004)		
Total Support And Revenue	<u>773,385</u>	<u>55,944</u>	<u>829,329</u>	<u>854,024</u>
Expenses:				
Program Services -				
Field projects and education	<u>678,229</u>		<u>678,229</u>	<u>472,107</u>
Supporting Services -				
General administration	97,856		97,856	76,219
Fundraising	62,416		62,416	77,424
Total Supporting Services	<u>160,272</u>		<u>160,272</u>	<u>153,643</u>
Total Expenses	<u>838,501</u>		<u>838,501</u>	<u>625,750</u>
CHANGE IN NET ASSETS	(65,116)	55,944	(9,172)	228,274
Net Assets, Beginning Of Year	<u>102,899</u>	<u>270,070</u>	<u>372,969</u>	<u>144,695</u>
NET ASSETS, END OF YEAR	<u>\$ 37,783</u>	<u>\$ 326,014</u>	<u>\$ 363,797</u>	<u>\$ 372,969</u>

The accompanying notes are an integral part of the financial statements.

COLORADO FOURTEENERS INITIATIVE

Statement Of Cash Flows

For The Year Ended December 31, 2012

(With Summarized Financial Information For The Year Ended December 31, 2011)

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	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Changes in net assets	\$ (9,172)	\$ 228,274
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	30,106	24,732
Loss on disposal of property and equipment	234	
Donated vehicle		(35,745)
Changes in operating assets and liabilities -		
Decrease in accounts receivable	24,474	33,000
(Increase) decrease in promises to give	44,789	(155,846)
(Increase) decrease in prepaid expenses	4,048	(1,245)
Increase (decrease) in accounts payable	4,131	(325)
Increase (decrease) in accrued liabilities	(5,975)	1,276
Increase (decrease) in deferred revenue	(72,685)	56,863
Net cash provided by operating activities	<u>19,950</u>	<u>150,984</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(33,427)</u>	<u>(21,100)</u>
Net cash (used in) investing activities	<u>(33,427)</u>	<u>(21,100)</u>
Cash flows from financing activities:		
Proceeds from notes payable	35,000	25,000
Payments on notes payable	<u>(35,000)</u>	<u>(25,000)</u>
Net cash provided by financing activities	<u></u>	<u></u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,477)	129,884
Cash and Cash Equivalents, Beginning Of Year	<u>238,646</u>	<u>108,762</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 225,169</u>	<u>\$ 238,646</u>
Noncash Investing Activities		
Donated vehicle	<u>\$</u>	<u>\$ 35,745</u>

The accompanying notes are an integral part of the financial statements.

COLORADO FOURTEENERS INITIATIVE

Notes To Financial Statements
For The Year Ended December 31, 2012

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(1) Nature Of Organization

The Colorado Fourteeners Initiative ("CFI") began in 1994 as a joint effort of the US Forest Service and four Colorado-based non-profit organizations involved in mountain recreation and conservation activities. CFI was incorporated as an independent non-profit organization in Colorado in July 1996. The mission of CFI is to protect, preserve, restore and enhance the natural integrity of the state's 14,000-foot peaks through volunteer stewardship and public education. CFI accomplishes its mission through design, construction and maintenance of sustainably located summit trails, restoration of damaged alpine terrain and education of Fourteener climbers regarding how they can minimize their impacts on fragile alpine ecosystems. Revenues are derived primarily through contributions and government grants.

(2) Summary Of Significant Accounting Policies

Basis Of Accounting

The financial statements of CFI have been prepared on the accrual basis of accounting.

Basis Of Presentation

CFI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2012, CFI did not have any permanently restricted net assets.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the reported period. Actual results could differ from those estimates.

Statement Of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents consists of demand deposits.

Accounts Receivable

CFI uses the allowance method to record uncollectible accounts. The allowance is based on past experience and on specific analysis of the collectibility of individual accounts receivable. Management expects all accounts receivable will be fully collectible, accordingly, there is no

allowance for doubtful accounts. CFI's policy is to charge off accounts receivable when collection of payments thereon is deemed to be improbable.

Promises To Give

Unconditional promises to give are recognized as revenues or gains in the period received, and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Management expects that all promises to give will be fully collectible, accordingly, there is no allowance for uncollectible promises to give.

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Property And Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives ranging from five to ten years. Donated property and equipment are recorded at their fair market value at the date of receipt. Expenditures for maintenance, repairs and minor replacements are charged to operations and expenditures for major replacements and betterments that exceed \$500 are capitalized.

Fair Value Measurements

The carrying amount reported in the statements of financial position for cash and equivalents, accounts receivable, promises to give, prepaid expenses, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Contributions

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulation time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

Certain donated services, equipment, and facilities that meet the criteria for recognition, are reflected in the financial statements at fair market value at the time of the donation.

Functional Allocation Of Expenses

The costs of providing various program support and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs are allocated among the program and supporting services benefitted.

Prior-Year Amounts

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CFI's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Subsequent Events

CFI has performed an evaluation of subsequent events through April 22, 2013, which is the date the financial statements were available to be issued and considered any relevant matters in the preparation of the financial statements and footnotes.

(3) Tax Exempt Status

CFI has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements contain no provision for income taxes. In addition, CFI qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

CFI follows *Accounting for Uncertainty in Income Taxes*, which requires CFI to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended December 31, 2012, CFI's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

CFI is no longer subject to U.S. federal income tax audits on its Form 990 by taxing authorities for years prior to 2009. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, CFI believes no issues would arise.

(4) **Property And Equipment**

Property and equipment consisted of the following as of December 31, 2012:

Office furniture and equipment	\$ 99,000
Field equipment	165,807
	<u>264,807</u>
Less: accumulated depreciation	(183,138)
Net property and equipment	<u><u>\$ 81,669</u></u>

(5) **Long Term Debt**

CFI has a revolving line of credit with a financial institution with a maximum line of \$60,000. The line of credit bears interest at the prime rate plus 6.75%. As of December 31, 2012, the effective interest rate was 10% and no amounts were outstanding on the line.

During the year ended December 31, 2012, CFI entered into a note agreement with a private organization for an amount of \$35,000 with a 6% interest rate. The note was repaid prior to year end.

(6) **Contingency**

During the year ended December 31, 2010, CFI was notified of a liability stemming from a \$130,000 feasibility study entered into by CFI and the Colorado State Trails program in 2006 that was to have been completed by December 31, 2008. During 2007 CFI received \$52,000 in advanced funding, the second of two advances, for performance of work on this study. During 2010, Colorado State Trails had an audit performed and determined that CFI had not properly closed out this grant. CFI was not aware of this past liability until being notified by Colorado State Trails and was able to provide sufficient documentation supporting expenditures of \$5,126 relating to the completion of the grant objectives. Approval of project expenses for work conducted on this grant and the final work product remain in dispute between CFI and Colorado State Trails. CFI maintains that the final work product was approved by State Trails staff then in authority and expenses legitimately performed on the grant eliminate entirely the outstanding balance subject to repayment. Colorado State Trails contends work

performed on the grant and costs incurred were not properly authorized or documented and that the remaining \$46,874 advance needs to be repaid. Accordingly, CFI has recognized a \$46,874 liability in the financial statements for the year ended December 31, 2012. Discussions regarding this matter were still in process as of the date of the audit report and there is a possibility that this liability may be reduced in future years.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In that event, CFI may be required to refund amounts to the federal government.

(7) **Operating Lease Commitment**

CFI entered into an operating leases for office space for its administrative office. Future minimum rental payments under this lease as of December 31, 2012, are due as follows:

Year Ended <u>December 31,</u>	
2013	\$ 26,271
2014	26,970
2015	11,359
	<u>\$ 64,600</u>

For the year ended December 31, 2012, rent expense was \$17,213.

(8) **Concentrations Of Credit Risk**

CFI's cash demand deposits are held at financial institutions at which deposits are temporarily insured up to \$250,000 by the FDIC for all interest bearing accounts. All non-interest bearing accounts are fully insured by the FDIC. As of December 31, 2012, CFI's cash demand deposits did not exceed this limit.

As of December 31, 2012, 100% of accounts receivable is due from the State of Colorado Department of Natural Resources, Division of Parks and Wildlife. In addition, as of December 31, 2012, 43% of promises to give is due from one donor.

(9) **Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2012, consisted of the following:

Maroon Bells Project	\$ 50,000
Adopt-A-Peak Intern	54,270
Elk and San Juan Range Trail Construction	77,000
Mount Shavano Private Land Holding Review	6,000
Other programs	23,000
Time restricted	115,744
	<u>\$ 326,014</u>

(10) **Donated Services**

CFI receives a substantial amount of donated services and expenses by unpaid volunteers. The value of this contributed time and expense is not reflected in the accompanying financial statements as it does not meet the requirements for recognition; however, these amounts are estimated based on rates earned by persons performing similar services as published by an association of volunteer groups and/or as determined by prevailing labor costs in the respective industry. The value of the donated services as estimated by CFI was approximately \$200,282 and included 9,377 volunteer hours for the year ended December 31, 2012.

(11) **Retirement Plan**

During the year ended December 31, 2011, CFI established a defined contribution plan (the "Plan") for all employees who receive greater than \$5,000 of compensation during the year and have attained two years of service. Under the terms of the Plan, CFI will match 3% of eligible compensation or make a 2% discretionary contribution in place of the match. For the year ended December 31, 2012, CFI made contributions of \$5,521 to the Plan.